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FM AMEMBASSY HARARE
TO RUEHC/SECSTATE WASHDC 3790
RUCNSAD/SOUTHERN AF DEVELOPMENT COMMUNITY COLLECTIVE
RUEHUJA/AMEMBASSY ABUJA 2139
RUEHAR/AMEMBASSY ACCRA 2480
RUEHDS/AMEMBASSY ADDIS ABABA 2605
RUEHRL/AMEMBASSY BERLIN 1098
RUEHBY/AMEMBASSY CANBERRA 1874
RUEHDK/AMEMBASSY DAKAR 2229
RUEHKM/AMEMBASSY KAMPALA 2654
RUEHNR/AMEMBASSY NAIROBI 5082
RHEHAAA/NSC WASHDC
RHMFISS/EUCOM POLAD VAIHINGEN GE
RUEHGV/USMISSION GENEVA 1746
RUZEJAA/JAC MOLESWORTH RAF MOLESWORTH UK
RHEFDIA/DIA WASHDC
RUEAIIA/CIA WASHDC

UNCLAS SECTION 01 OF 04 HARARE 001082

AF/S FOR B. WALCH
ADDIS ABABA FOR USAU
ADDIS ABABA FOR ACSS
NSC FOR SENIOR AFRICA DIRECTOR B.PITTMAN
TREASURY FOR D. PETERS
STATE PASS TO USAID FOR L.DOBINS AND E.LOKEN
COMMERCE FOR BECKY ERKUL

SIPDIS

E.O.12958: N/A
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SUBJECT: ZIM NOTES 12-05-2008

11. SUMMARY

Topics of the week:

- A Week of Turmoil on Harare's Streets...
- Civic Leader Abducted...
- MDC Denies Reports of a Deal within Days...
- ZANU-PF Conference Not to Discuss Replacing Mugabe...
- Odinga and Tutu Speak Out...
- Cholera Crisis Continues...
- Minister of Health Candid in Asking for Help...
- SADC Tribunal Rules in Favor of White Farmers...
- New Notes Unveiled and Cash Withdrawal Limits Upped...
- Goods Immediately Repriced - Gono Condemns Basic Economics...
- Gono Dismisses Senior Managers of Some Local Banks...
- ... While Siphoning Money from Share Transfers
- Government Removes Duty on Basic Commodities...

12. Price Movements-Exchange Rate
and Selected products

Parallel rate for cash rose five-fold to Z\$10,000,000:US\$1

Check rate shot up to Z\$1quintillion:US\$1 against inter-bank average
of Z\$100,330:US\$1

Bread on the parallel market went up to Z\$6,000,000

Sugar rose to Z\$45,000,000/2kg

Petrol and diesel rose to Z\$4,000,000/liter

On the Political/Social Front

13. A Week of Turmoil on Harare's Streets... A surge of military riots and civic protests unsettled Harare and other urban centers this week as civil society groups demanded relaxed cash withdrawal policies and political reform, while soldiers vented their frustrations. On November 27 and 28 and Dec1, soldiers smashed storefronts, beat-up bank employees, and clashed with police after being denied cash withdrawals by downtown Harare banks. See Harare 11060. Meanwhile, the Zimbabwe Congress of Trade Unions (ZCTU) staged peaceful protests in the low thousands throughout the country, demanding that members be able to access their cash. Other civil society organizations including the National Constitutional Assembly collaborated with the ZCTU protest, in addition to staging their own demonstration. Security forces responded by arresting and beating numerous activists. More than 70 ZCTU members were arrested throughout the country, with only about 20 released so far.

14. Civic Leader Abducted... Jestina Mukoko, director of the Zimbabwe Peace Project (ZPP), which monitors delivery of food assistance and violence throughout the country, was seized from her home at 5 AM on December 3 by armed men driving unmarked vehicles. Her whereabouts are unknown. At week's end, a ZPP field officer was arrested in Nyanga. The whereabouts of 14 MDC officials and a baby abducted in Banket in Mashonaland West on October 30 are still unknown.

15. MDC Denies Reports of a Deal within Days... South African spokesman Themba Maseko announced yesterday that ZANU-PF and the MDC would sign Amendment 19 within days, paving the way for a new

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government. Our information is to the contrary. There are still issues within the draft Amendment 19 agreed to by negotiators last week in South Africa that need to be resolved by the principals-Zimbabwean president Robert Mugabe, and MDC presidents Morgan Tsvangirai and Arthur Mutambara. Tsvangirai is outside of Zimbabwe with no planned return, so it is uncertain when these discussions could take place. Furthermore, an MDC official told us that the MDC would not agree to officially publish Amendment 19-and begin the 30 day public comment period-until outstanding issues such as the allocation of ministries had been resolved. See Harare 11073.

16. ZANU-PF Conference Not to Discuss Replacing Mugabe... Replacing Mugabe is one issue that will not be discussed at ZANU-PF's annual conference scheduled for December 10-14. ZANU-PF spokesman and political commissioner Elliot Manyika explained that only a full ZANU-PF congress could discuss leadership changes under party rules. The next full congress will be held at the end of 2009.

17. Odinga and Tutu Speak Out... After a meeting with MDC leader Morgan Tsvangirai in Nairobi on Thursday, Kenyan foreign minister Raila Odinga told the BBC that "Power-sharing is dead in Zimbabwe and will not work with a dictator who does not really believe in power sharing." Odinga added, "It's time for African governments to take decisive action to push him out of power." Also on Thursday, South African Archbishop Desmond Tutu told a Dutch television station with regard to Zimbabwean president Robert Mugabe, "I think now that the world must say, "You have been responsible with your cohorts for gross violations, and you are going to face indictment in the Hague unless you step down." Tutu went on to say that Mugabe should be removed by military force if he did not step down.

18. Cholera Crisis Continues... On December 4, the UN's Office for the Coordination of Humanitarian Affairs reported that they had conservatively identified 12,700 suspected cases of cholera leading to 571 deaths since the outbreak of the disease. Other groups suggest the fatality number likely exceeds 1,000. Currently, nine out of 10 provinces have been affected, and outbreaks are still not under control in multiple locations, including the Harare suburb of Budiriro. The WHO-lead health cluster has been ill-equipped to handle the magnitude of the outbreak, but donors and UN agency efforts are ramping up. USAID is in the process of releasing additional funding to help combat the cholera emergency in Zimbabwe. These funds will supplement the ongoing US\$4 million emergency

water, sanitation, and hygiene programs that USAID is already implementing in Zimbabwe. USAID has also deployed a team of experts to Zimbabwe to work alongside the international community.

¶9. Minister of Health Candid in Asking for Help... Minister of Health David Parirenyatwa assembled an emergency meeting on December 3 of senior government officials, donors-including UNICEF, WHO, and UNDP-some embassy officials, and NGOs to discuss the worsening water delivery and cholera situation. Parirenyatwa was uncharacteristically forthright in admitting the severity of the problem and the need for external help. The minister also asked for pledges and surprisingly said that he appreciated ongoing USAID and DFID efforts. The spirit of inclusivity was marred when Parirenyatwa asked MDC Secretary for Welfare Kerry Kay to leave. The WHO recommended establishing a "command and control center" involving donors and local officials.

¶10. SADC Tribunal Rules in Favor of White Farmers... On November 28, the SADC Tribunal meeting in Windhoek made its final ruling in the case of Michael Campbell and 77 other white Zimbabweans who had their farms seized or were issued eviction orders through the government's land reform program. The ruling stated that the GOZ must provide fair compensation for the expropriated properties and desist from any further acquisition efforts. Unfazed by the

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judgment, security chief and land-reform architect Didymus Mutasa said that the Tribunal must have been "daydreaming" and that Zimbabwe would not abide by the ruling.

On the Economic and Business Front

¶11. New Notes Unveiled and Cash Withdrawal Limits Upped... The Reserve Bank of Zimbabwe (RBZ) introduced new Z\$10 million (US\$1 at today's cash rate of Z\$10 million:US\$1), Z\$50 million (US\$5) and Z\$100 million (US\$10) notes on Thursday, December 4, and raised the weekly cash withdrawal limits to Z\$500 million beginning next Friday. RBZ Governor Gono also declared that beginning December 18, employees that produced a pay-slip would be able to withdraw Z\$10 billion a month and after January 12, 2009, their entire paycheck. The changes came in response to a petition by ZCTU leaders a day after the trade union held protests throughout the country. The upward revision amended Gono's decision to raise withdrawal limits to Z\$100 million, which was insufficient to satisfy ZCTU.

¶12. Goods Immediately Repriced - Gono Condemns Basic Economics... As the new notes circulated in large quantities throughout Harare and other cities, many shopkeepers quickly closed their doors to reprice their wares. The new denominations caused the parallel market cash rate to collapse from around Z\$2 million to between Z\$7 million and Z\$10 million. Gono's response was to condemn businesses for unjustifiably raising the prices of goods each time new currency denominations are introduced.

¶13. Gono Dismisses Senior Managers of Some Local Banks... Gono fired the CEOs and senior managers of CFX Bank, NMB Bank, and ZABG for "flouting bank regulations" by issuing new higher denominations a day ahead of their officially scheduled release on December 4. The RBZ issued a total of Z\$80 trillion in new notes to banks on December 3, and later that evening a significant portion was already in the hands of street money dealers.

¶14. ... While Siphoning Money from Share Transfers. According to online newspaper the Zimbabwe Times, Gono and a Harare businessman, Mohammed I Mohammed, are using Remo Investment Brokers in Harare to siphon millions of U.S. dollars through share transfers into Ravenscourt Corporation's account at Habib Bank in London. Although Ravenscourt is reportedly registered in the UK, there are no records of its operations in London. According to the report, Ravenscourt won a lucrative contract to import fuel into Zimbabwe, alongside the state-owned National Oil Company of Zimbabwe, even though other private companies are barred from importing fuel directly.

¶15. Government Removes Duty on Basic Commodities... Gono told a

recent meeting of the National Economic Consultative Forum-a consortium of government, the private sector and labor groups-that he has scrapped import taxes on basic commodities to increase supplies ahead of the Christmas and New Year holidays. He told the meeting that the surrender rate for sales of exported goods to the RBZ would be reduced from 25 to 15 percent, and the exchange rate shifted to the rate used by the United Nations.

Gono Quotes of the Week

¶16. Gono's statements this week fluctuated from sympathetic to irate to optimistic:

- "Please have a heart and protect the interest of consumers."
- "Any manufacturer, wholesaler, retailer or service provider caught hiking prices without the approval of the commission will

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face the full wrath of the law."

- "We must not despair, good times are coming. No winter lasts forever... summer is coming."

DHANANI